

Message Text

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ORIGIN AF-10

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DRAFTED BY: AF: WHARROP:GFH
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FM SECSTATE WASHDC
TO AMEMBASSY KHARTOUM IMMEDIATE

C O N F I D E N T I A L STATE 141259

FOR AMBASSADOR FROM HARROP

E.O. 11652: GDS

TAGS: EFIN, EAID, SU

SUBJECT: SUDANESE ECONOMIC PROBLEMS

REF:A.KHARTOUM 2421, (B) NAIROBI 7836

1. BOB HORMATS AND I HAD A MEETING JUNE 2 WITH REPRESENTATIVES OF AID, FFP, EB, AF AND TREASURY TO REVIEW OUR DISCUSSIONS IN KHARTOUM AND PLAN NEXT STEPS, WITH A FOCUS UPON:
 - A) WHAT SORT OF LEADERSHIP USG CAN MOST APPROPRIATELY PROVIDE,
 - B) WHAT ORGANIZATIONAL FRAMEWORK SHOULD BE USED FOR RESOLVING SHORT-TERM EXCHANGE PROBLEMS AND FOR LONGER TERM DEVELOPMENT CONSIDERATION, AND
 - C) HOW US MIGHT BE ABLE TO INCREASE ITS OWN CONTRIBUTION TO A MORE FITTING LEVEL.

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2. WE WERE HEARTENED TO LEARN JUST BEFORE OUR MEETING, THROUGH SUDANESE ECON COUNSELOR HERE, THAT ACCORDING TO HEAD (HITTE) OF IMF DELEGATION JUST BACK FROM KHARTOUM GOK AND IMF DEL HAVE CONCLUDED AND SIGNED A STANDBY ARRANGEMENT SUBJECT TO APPROVAL BY IMF BOARD. UNDER THIS AGREEMENT, SUDAN WILL RECEIVE \$30 MILLION

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FROM TRUST FUND IN ADDITION TO \$100 MILLION STANDBY CREDITS.

3. WE WILL BE IN TOUCH WITH IMF JUNE 5 TO CONFIRM THIS REPORT AND TO TRY TO DETERMINE TIMING AND MAGNITUDE OF SAUDI AND KUWAITI BALANCE OF PAYMENTS SUPPORT WHICH IMF OFFICIALS EARLIER TOLD US WAS PLANNED. WE INTEND TO EXPLORE WITH IMF AND IBRD THE ADVISABILITY OF CREATING A WORLD BANK CONSULTATIVE GROUP FOR SUDAN TO ENCOURAGE, CHANNEL AND COORDINATE EXTERNAL ASSISTANCE AND DEVELOPMENT PLANNING. SHOULD FUND AND BANK BE RECEPTIVE TO THIS IDEA WE WILL WANT TO CONSULT WITH MAJOR DONORS AND PROSPECTIVE DONORS AND WITH SUDANESE GOVERNMENT, WHICH WOULD HAVE TO MAKE FORMAL REQUEST AND BE PREPARED TO PRESENT, DEFEND AND CONSULT UPON THEIR DEVELOPMENT PLAN. THE SUDANESE, SUPPOSE, MIGHT SEE SOME NARROW ADVANTAGE IN REMAINING ON A BILATERAL BASIS WITH ALL DONORS SO AS TO BETTER UTILIZE THE POLITICAL PULLS OF ISLAM AND TO AVOID THE INEVITABLE DISCIPLINES AND POSSIBLE BUREAUCRATIC WEIGHT OF THE WORLD BANK APPROACH. OUR PRELIMINARY VIEW IS THAT THE CONSULTATIVE GROUP APPROACH IS DESIRABLE.

4. AS TO A LARGER US CONTRIBUTION, YOU ARE FAMILIAR
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WITH THE DIFFICULTIES BUT WE ARE GOING TO PURSUE THE EFFORT. IF THIS ASSISTANCE IS TO BE IN THE FORM OF PL-480 PROGRAMS, AS APPEARS MOST LIKELY, WE MUST HAVE AN EXTENSIVE AND ACCURATE DATA BASE ON FOOD ECONOMICS IN SUDAN FROM WHICH TO WORK, AND SOME IDEA AS TO HOW THE PROCEEDS OF THESE PROGRAMS WOULD BE USED. WE WILL BE REVIEWING THE DATA PROVIDED BY RENE DAUGHERTY'S RECENT STUDY OF PL-480 TITLE I PROGRAMS TO DETERMINE IF THIS WILL BE ADEQUATE TO OUR REQUIREMENTS. I WOULD SUGGEST, HOWEVER, THAT YOU TAP ROGER MERRICK'S TALENTS AND EXPERIENCE TO BACKSTOP AID/KHARTOUM'S EFFORTS TO COMPILE THE BEST POSSIBLE INFORMATION. I UNDERSTAND PIERSON IS DUE BACK ON CONSULTATION NEXT WEEK.

5. WITH REFERENCE TO CONSULTING WITH OUR NATO ALLIES, WHICH WE AGREE IS IMPORTANT, WHETHER OR NOT THE CONSULTATIVE GROUP APPROACH IS PURSUED, THE PARIS MEETING ON THE SHABA INVASION IS PROBABLY NOT AN APPROPRIATE FORUM. WE ARE CONSIDERING THE POSSIBILITIES OF MAKING AN APPROACH FOR WESTERN ECONOMIC ASSISTANCE TO SUDAN AT THE OECD MINISTERIAL MEETINGS IN PARIS JUNE 14-15 AND PERHAPS DISCUSSING THIS ISSUE AT THE JULY

FIVE-POWER SUMMIT IN BONN.

6. WOULD APPRECIATE YOUR COMMENTS ON THE FOREGOING. CHRISTOPHER

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